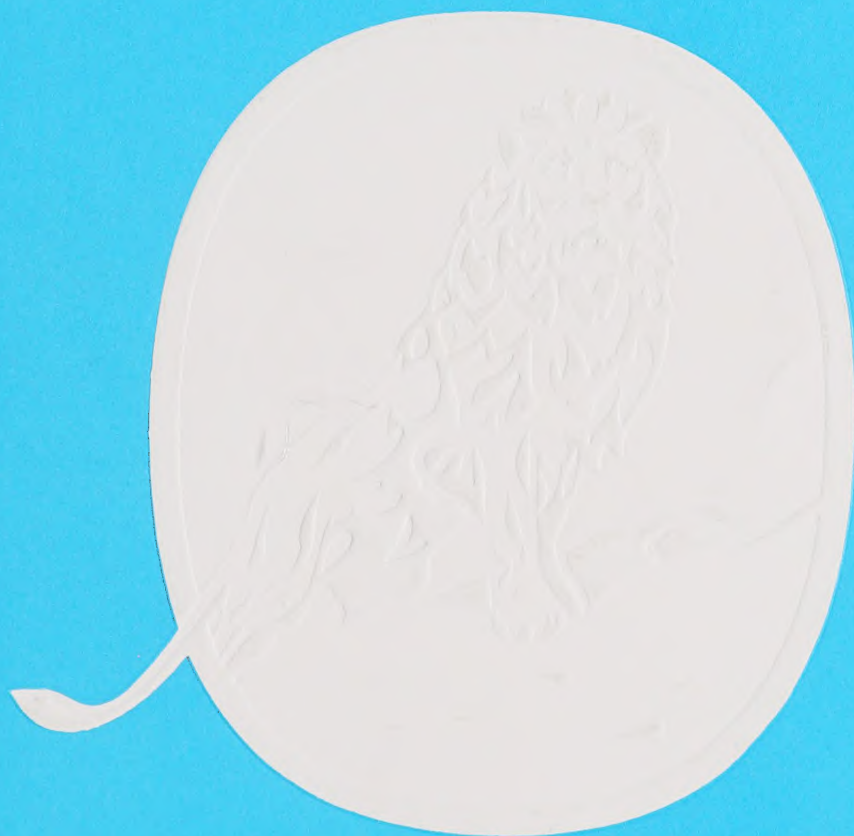



SEVENTY-SECOND ANNUAL REPORT 1977

AR12



A stylized signature or logo consisting of a large, flowing 'M' shape, rendered in a light blue color. The 'M' is composed of several overlapping, curved lines that give it a sense of movement and elegance.

THE MONARCH LIFE ASSURANCE COMPANY



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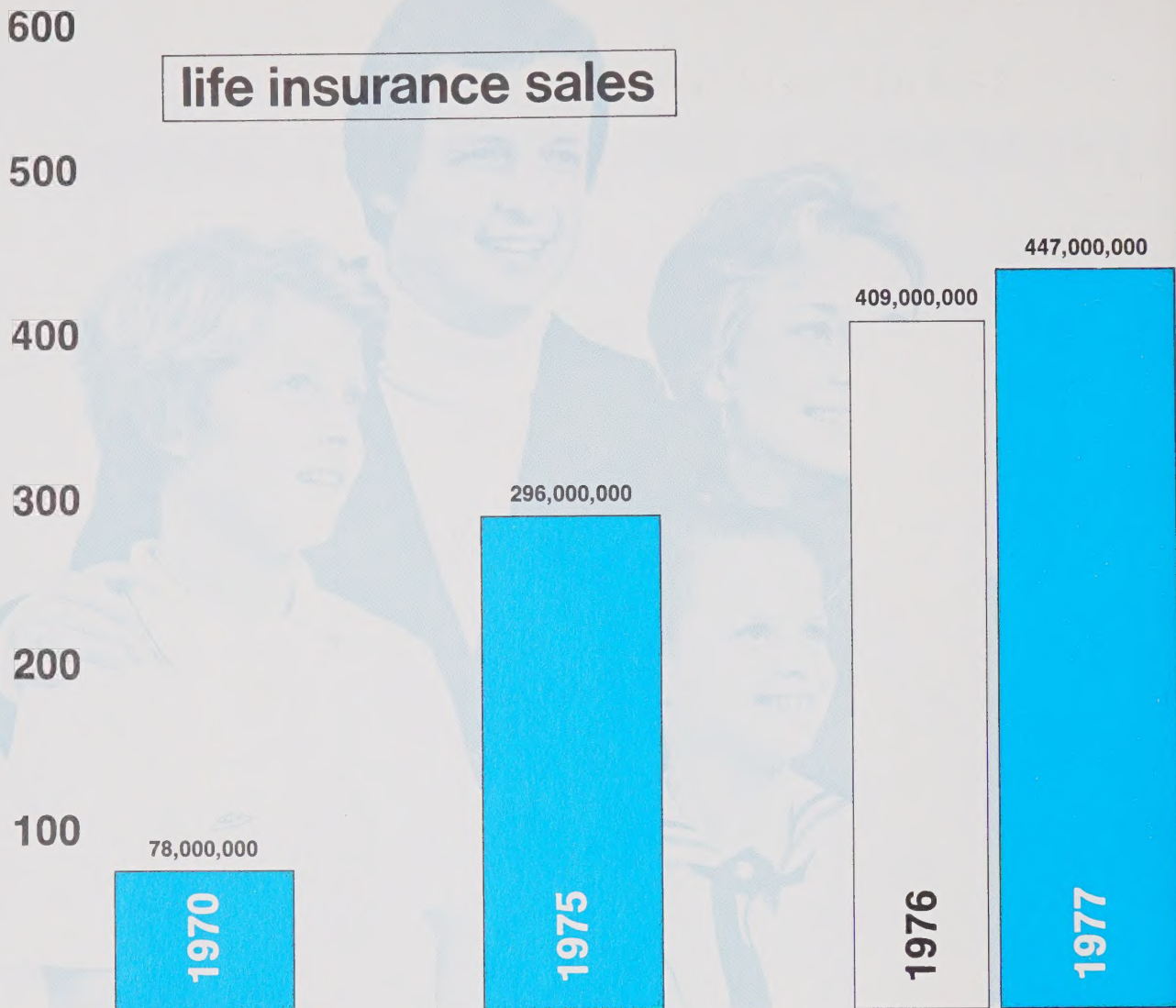
THE MONARCH LIFE ASSURANCE COMPANY

SEVENTY-SECOND ANNUAL REPORT 1977

HIGHLIGHTS

	1977	1976	1975
Sales Amount of Life Insurance	446,719,000	409,347,000	296,121,000
Premiums on Annuities	11,354,000	11,861,000	9,556,000
Business in Force	2,255,780,000	1,964,604,000	1,640,489,000
Net Interest Rate	8.33%	8.12%	7.76%
Assets	317,435,000	286,826,000	259,779,000

life insurance sales



Report of Directors

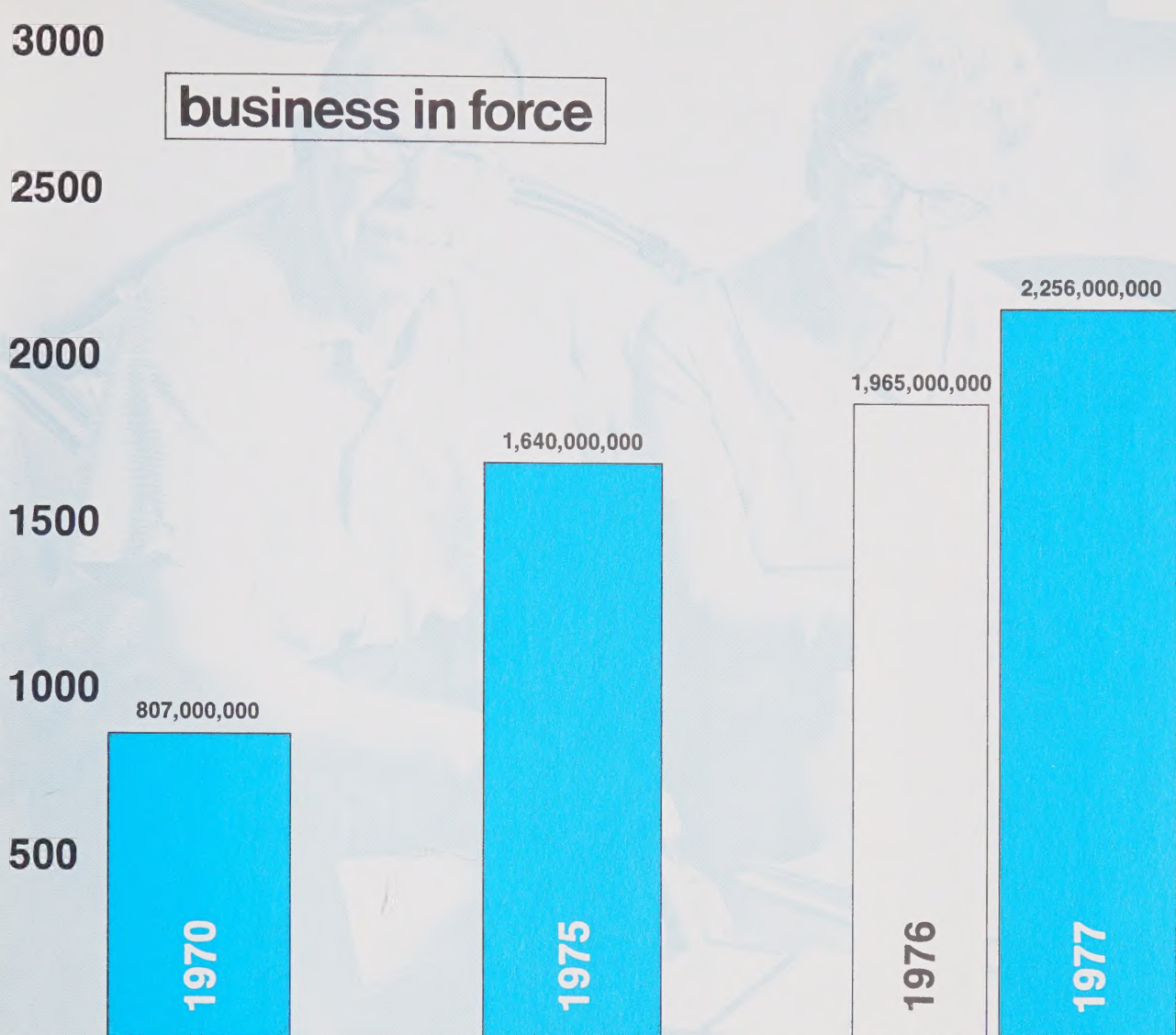
To the Seventy-Second Annual Meeting of The Monarch Life Assurance Company to be held at the Head Office of the Company, in Winnipeg, on February 23rd, 1978.

SALES

The amount of life insurance sold in 1977 was \$446,719,000, a 9% increase over 1976. Term insurance represented 57% of the total. In 1977 the average amount of insurance purchased by adults was \$37,000.

Premiums on annuity sales were \$11,354,000, a decrease of 4%. Of this total, sales of Income Averaging Annuities and other similar annuities at \$4,393,000 were somewhat lower than in 1976; and sales of Registered Retirement Savings Plans and Registered Pension Plans at \$6,961,000 were moderately higher than in 1976.

The Company's total business in force at year end was \$2,255,780,000, an increase of 15% over the \$1,964,604,000 at the end of 1976.



ASSETS

At year end, assets were \$317,435,000 an increase of \$30,609,000 or 10.7%.

The rate of interest earned on our entire portfolio, after deduction of investment expenses, rose to 8.33% from 8.12%.

Bonds and first mortgages are shown on our books at amortized cost. Stocks and real estate are shown at cost or less. In the aggregate, year end values of our bond and stock investments exceeded values authorized by the Department of Insurance of Canada by \$1,693,000. Our Investment and Contingency

Reserve of \$8,500,000 provides for such asset value fluctuations.

INVESTMENTS

In 1977 approximately 70% of new funds directed to long term investments were in mortgages. Over half of these mortgages were housing related as the Company continued its policy of providing financing for this important sector of the Canadian economy.

New mortgage investments made on commercial and industrial properties, such as office buildings, warehouses, shopping centres

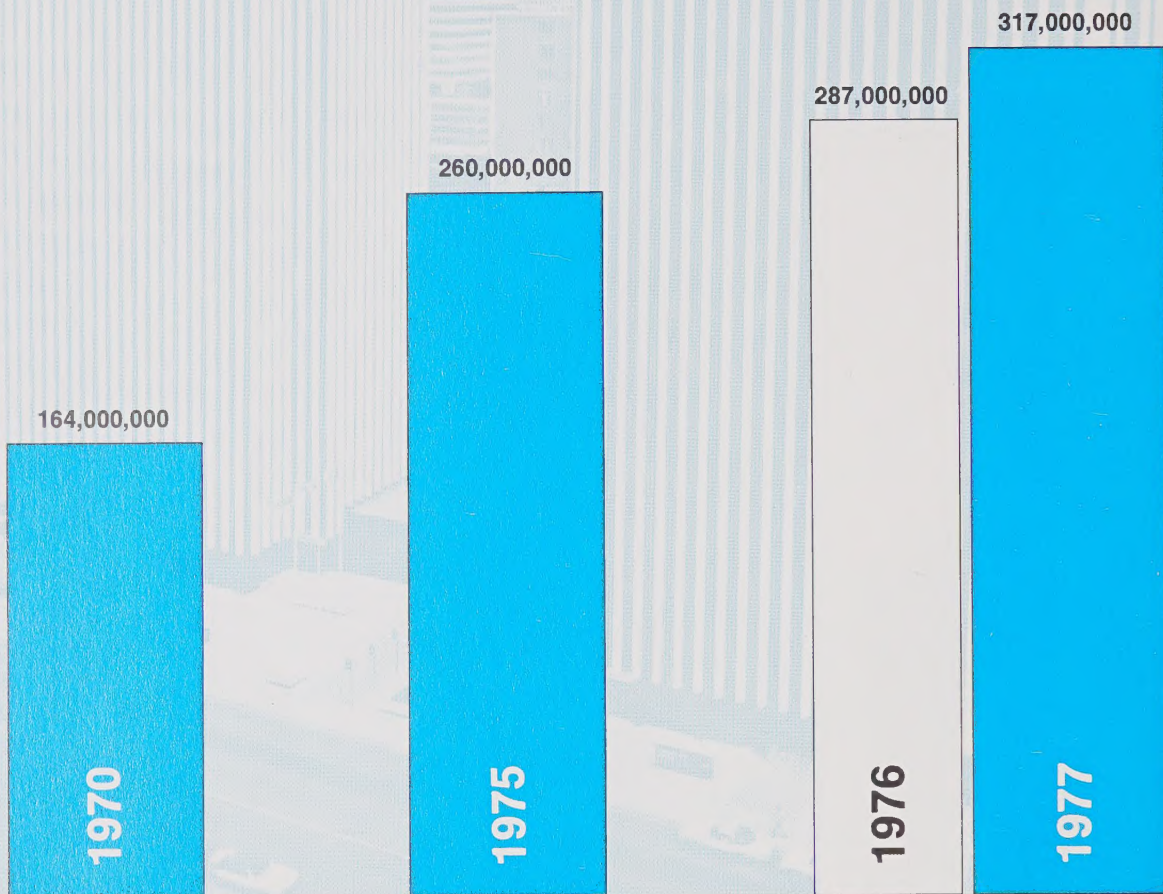
400

assets

300

200

100



and medical clinics, were in line with the Company's policy of providing financing to the important job creating private sector over a broad geographic and industrial range.

In real estate, a major step was taken when the Company purchased a 15% interest in Edmonton based Princeton Developments Ltd. Princeton is active in the development of high quality real estate projects for investment purposes in Alberta, the Northwest Territories and the Yukon. We expect this to be a profitable association and one which will result in more of our future investments being directed toward the real estate field.

SEGREGATED INVESTMENT FUNDS

The investments of these funds are segregated in the sense that they are not mingled with the other assets of the Company. They support the special series of group pension policies available to employers for their company pension plans. Individual policyholders may also invest their policy dividends in a segregated fund. At year end the total of these segregated investment funds was \$12,807,000, an increase of 24%.

POLICY LOANS AND SURRENDERS

Requests for new policy loans decreased significantly in 1977. The amount of policy loans

outstanding was \$13,474,000 at year end and represents 4.2% of assets compared to 4.4% at the end of 1976.

The number of policies surrendered for cash in 1977 was only slightly greater than in 1976.

MORTALITY

For 1977, our mortality experience was 12% lower than expected. However, fluctuations in mortality experience can and do occur from year to year.

POLICYHOLDERS

The amount paid to policyholders and beneficiaries in 1977 was \$25,689,000, 12% more than in 1976. In addition, \$24,886,000 was allocated to policy reserves for future payment.

EXPENSES

Operating expenses for 1977 were 8% higher than for 1976, reflecting inflationary pressures. Despite this, our cost ratios increased only slightly.

NET INCOME AND SURPLUS

Net income from 1977 operations was \$2,241,000, reflecting a satisfactory increase over the \$869,000 of 1976. \$700,000 of net income was allocated to increase the Investment and Contingency Reserve to \$8,500,000.

After all operations and provisions, surplus increased \$1,731,000 to \$17,244,000.

SHAREHOLDERS

The net income attributable to shareholders includes:

- (i) the net income of the non-participating and shareholders' division, and
- (ii) the amount transferred from the participating division to the shareholders' division, limited as explained in note 4 to the financial statements.

For 1977 the net income attributable to shareholders was \$2,033,000 or \$4.07 per share. For 1976 it was \$3.20 per share.

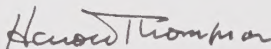
GENERAL

To the staff and representatives whose efforts made the very satisfactory results possible, the Directors extend sincere thanks and appreciation. The confidence and enthusiasm of the sales force, staff and officers is shared by the Directors.

On behalf of the Directors,



T. BRUCE ROSS, Chairman of the Board



HAROLD THOMPSON, President
and Chief Executive Officer

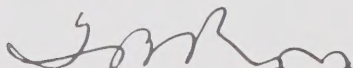
SEVENTY-SECOND ANNUAL REPORT 1977

statement of financial position

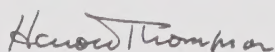
ASSETS

	December 31	
	1977	1976
BONDS		
Federal, Provincial and Municipal	\$ 32,793,000	44,203,000
Public Utility, Industrial and Others	117,125,000	92,204,000
STOCKS	19,941,000	18,308,000
FIRST MORTGAGES		
Homes and Apartment Buildings	48,582,000	43,240,000
Office, Retail and Warehouse Buildings	60,316,000	55,182,000
REAL ESTATE		
For Investment	3,994,000	3,747,000
For Company Use	2,500,000	2,500,000
POLICY LOANS	13,474,000	12,562,000
CASH	948,000	785,000
INVESTMENT INCOME DUE AND ACCRUED	3,946,000	2,929,000
SEGREGATED INVESTMENT FUNDS	12,807,000	10,297,000
OTHER ASSETS	1,009,000	869,000

Approved by the Directors



T. BRUCE ROSS, Chairman of the Board



HAROLD THOMPSON, President and Chief Executive Officer

\$317,435,000

286,826,000

THE MONARCH LIFE ASSURANCE COMPANY

Financial position

LIABILITIES, CAPITAL AND SURPLUS

	December 31	
	1977	1976
DIRECT OBLIGATIONS TO POLICYHOLDERS		
POLICY RESERVES	\$236,379,000	214,003,000
This amount together with future premiums and interest will provide for the payment of all benefits on policies in force		
POLICY BENEFITS IN COURSE OF PAYMENT	1,507,000	1,345,000
POLICY BENEFITS ON DEPOSIT	25,941,000	24,151,000
POLICY DIVIDENDS PAYABLE	3,500,000	3,400,000
SEGREGATED INVESTMENT FUNDS	12,807,000	10,297,000
STAFF PENSION AND INSURANCE FUNDS	8,536,000	7,549,000
OTHER LIABILITIES	2,021,000	1,768,000
	<u>290,691,000</u>	<u>262,513,000</u>
SHARE CAPITAL	1,000,000	1,000,000
Authorized 1,000,000 shares of \$2 par value		
Issued 500,000 shares		
INVESTMENT AND CONTINGENCY RESERVE	8,500,000	7,800,000
SURPLUS	17,244,000	15,513,000
	<u>26,744,000</u>	<u>24,313,000</u>
	<u>\$317,435,000</u>	<u>286,826,000</u>

SEVENTY-SECOND ANNUAL REPORT 1977

statement of operations and surplus

	For the Year	
	1977	1976
INCOME		
Insurance and annuity premiums	\$ 42,520,000	40,904,000
Investment income less expenses (\$601,000, 1976 - \$531,000)	24,224,000	21,642,000
Other	1,596,000	1,548,000
	<u>68,340,000</u>	<u>64,094,000</u>
DISPOSITION OF INCOME		
Paid or set aside for policyholders		
Death and disability benefits	3,740,000	3,297,000
Matured endowments	1,591,000	1,373,000
Annuity payments	5,089,000	4,024,000
Surrender benefits	8,202,000	7,668,000
Policy dividends	3,440,000	3,346,000
Interest credited to amounts on deposit	1,604,000	1,435,000
Increase in reserve for future payments to policyholders and beneficiaries	22,376,000	23,831,000
Increase in Segregated Investment Funds	2,510,000	1,845,000
Other	2,023,000	1,787,000
	<u>50,575,000</u>	<u>48,606,000</u>
Commissions	4,562,000	4,924,000
Operating expenses	9,611,000	8,896,000
Premium and income taxes	1,351,000	799,000
	<u>66,099,000</u>	<u>63,225,000</u>
NET INCOME	2,241,000	869,000
APPROPRIATIONS AND ADJUSTMENTS		
Adjustments to book values of assets and net profit (loss) on sale of securities	737,000	(543,000)
Increase in Investment and Contingency Reserve	(700,000)	—
Appropriation from (to) Policy Reserves	—	500,000
Dividends to shareholders	(547,000)	(510,000)
	<u>—</u>	<u>—</u>
INCREASE IN SURPLUS	1,731,000	316,000
SURPLUS, January 1	15,513,000	15,197,000
SURPLUS, December 31	<u>\$ 17,244,000</u>	<u>15,513,000</u>
ALLOCATED TO		
Participating policyholders' division	\$ 4,672,000	4,182,000
Shareholders' and non-participating policyholders' division	12,572,000	11,331,000
	<u>\$ 17,244,000</u>	<u>15,513,000</u>

THE MONARCH LIFE ASSURANCE COMPANY

notes to financial statements

1. In the Statement of Financial Position, Bonds and First Mortgages are shown at amortized cost, Stocks and Real Estate at cost or written down values and Segregated Investment Funds at market value.

Bonds and Stocks are shown at values which, in the aggregate, exceed the values authorized by the Department of Insurance of Canada by \$1,693,000 (1976 - \$7,592,000), provision for which is included in the Investment and Contingency Reserve.

2. Under a Stock Option Plan adopted in 1966, the Company may grant to executives for periods not exceeding 15 years, options to purchase shares of the unissued capital stock of the Company at a price equal to the market value of such stock on the date granted; provided, however, that the number of shares which may be purchased under such options may not exceed 50,000. To date no options have been exercised and 20,000 shares at \$20 per share are under option, 10,000 until 1979 and 10,000 until 1984.

3. The Company follows generally accepted accounting principles modified by the requirements of the Department of Insurance of Canada. These modifications include:

(a) The costs of acquiring business are charged off as expenses in the year incurred rather than over the periods expected to be benefited.

(b) Non-admitted assets such as furniture and equipment are charged off as expenses in the year acquired.

(c) Income taxes are provided for on the basis of the "taxes payable" method.

4. Distributions of earnings to policyholders and shareholders are determined by the Board of Directors. For the participating division 90% of the amount distributed is allotted for policyholder dividends and 10% is transferred to the shareholders' division. This complies with Canadian insurance law governing the allocation of participating division earnings between policyholders and shareholders.

AUDITORS' REPORT

January 19, 1978

To the Policyholders, Shareholders and Directors of The Monarch Life Assurance Company:

We have examined the Statement of Financial Position of The Monarch Life Assurance Company as at December 31, 1977 and the Statement of Operations and Surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these statements present fairly the financial position of the Company as at December 31, 1977 and the results of its operations for the year then ended in accordance with accounting practices prescribed or permitted by the Department of Insurance of Canada, as explained in note 3 to the Financial Statements, applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba

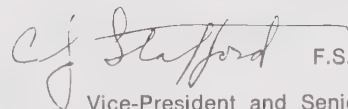


Chartered Accountants

ACTUARY'S CERTIFICATE

January 19, 1978

I hereby certify that the amounts shown in the Policy Reserves and the Segregated Investment Funds, in my opinion, make good and sufficient provision for all unmatured obligations of the Company guaranteed under the terms of its policies.



F.S.A., F.C.I.A.

Vice-President and Senior Actuary

THE MONARCH LIFE ASSURANCE COMPANY

board of directors

T. BRUCE ROSS, LL.D. Chairman of the Board
HAROLD THOMPSON . . . President and Chief Executive Officer

PAUL N. DuVAL	CONRAD S. RILEY, M.B.E.
*WILLIAM G. KONANTZ	*STEWART A. SEARLE, JR.
*GORDON LAWSON, LL.D.	GEORGE E. SHARPE
RICHARD S. MALONE, O.B.E.	J. GORDON SPEIRS
*WILLIAM B. PARRISH	ALAN E. TARR
*S. PRICE RATTRAY, LL.D.	JOHN T. WOODS, Ph.D.

*Policyholders' Directors

EXECUTIVE OFFICERS

HAROLD THOMPSON . . . President and Chief Executive Officer
ALLAN G. DENNIS Vice-President, Marketing
ALAN E. TARR Vice-President, Investments
DONOVAN A. McCARTHY, Q.C. . . Vice-President and Secretary
DOUGLAS B. STEVENS Vice-President, Administration
C. J. STAFFORD Vice-President and Senior Actuary

Share Transfer Agent and Registrar: CANADA PERMANENT TRUST COMPANY
At its Principal Offices in Montreal, Toronto, Winnipeg, Calgary and Vancouver

administrative organization

HAROLD THOMPSON, F.S.A., F.C.I.A., President and Chief Executive Officer

A. G. DENNIS

Vice-President, Marketing

Sales Development	R. T. Sandstrom	Senior Superintendent of Sales
	D. D. Sheppard, C.L.U.	Superintendent of Sales
	M. Hawryluk	Asst. Superintendent of Sales
	P. Cloutier	Superintendent of Sales, Group
Marketing Services	G. E. Thomas	Superintendent of Marketing Services
	(Miss) J. Mislawchuk	Supervisor of Sales Administration
Sales Training	R. Blouin	Supervisor of Sales Training
Sales Promotion	R. Maddocks	Superintendent of Sales Promotion

Group

Underwriting and Service	A. M. Byrne, F.S.A., F.C.I.A.	Group Actuary
	K. McComb, F.S.A., F.C.I.A.	Assistant Actuary
	E. F. Harlow	Supervisor, Group Services
	G. L. Sobie, F.L.M.I.	Supervisor, Group Services

A. E. TARR, A.S.A.

Vice-President, Investments

Investment	R. E. Archer, C.F.A.	Investment Manager
	A. E. Hanson, A.A.C.I.	Manager, Mortgages & Real Estate
	D. G. Mills, C.F.A.	Common Stock Portfolio Manager

D. A. McCARTHY, Q.C.

Vice-President and Secretary

Accounting	K. W. Westlund, C.A.	Accounting Manager
Personnel & Office Services	C. M. Mederski	Manager, Personnel & Office Services
	R. E. Babiak	Supervisor, Purchasing, Printing & Supplies
Properties	C. J. Rogers, F.L.M.I.	Manager, Building & Properties

D. B. STEVENS, F.S.A., F.C.I.A.

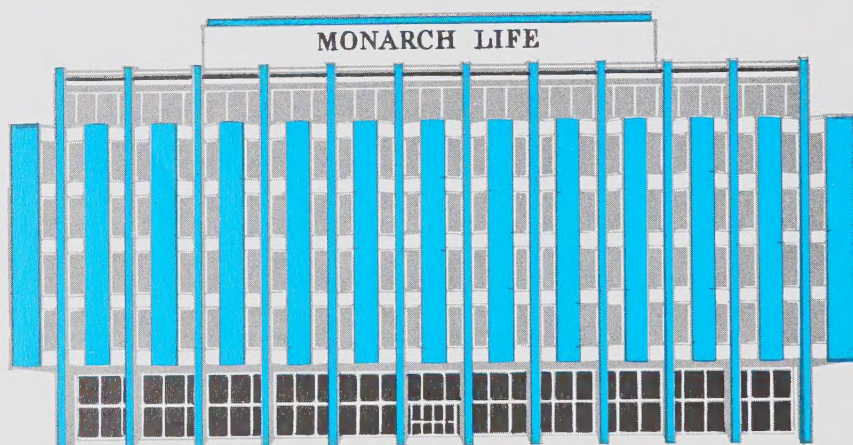
Vice-President, Administration

Data Processing	P. J. Sawchuk, F.L.M.I.	Director of Data Processing
	L. G. F. Jones	Supervisor, Data Processing Operations
	E. Lindgren, F.L.M.I.	Manager, Systems & Programming
Policy Service	A. Croteau, A.S.A.	Manager, Policy Service
	(Mrs.) T. Fifi	Supervisor, Policy Service
	A. Bilodeau	Supervisor, Premium Services
	E. Perry	Supervisor, Branch Services
New Business	N. P. Walton	Manager, Policy Issue & Changes
	E. Shandruk	Supervisor, Policy Issue
	T. Weber, F.L.M.I.	Supervisor, Policy Changes
Policy Administration	C. E. Addison, F.L.M.I.	Executive Assistant, Administration

C. J. STAFFORD, F.S.A., F.C.I.A.

Vice-President and Senior Actuary

Actuarial	L. A. Poole, F.S.A., F.C.I.A.	Actuary, Individual Insurance
Underwriting	W. A. Riddall	Manager, Underwriting
	R. G. Handford, M.D.	
	F.R.C.P. (C)	Medical Director
	N. L. Handford	Senior Underwriter



BRANCH OFFICES

		Telephone Number	Area Code
VICTORIA	D. E. PEGG, 4th Flr., 736 Broughton St.	384-0584	604
VANCOUVER	D. G. CLEMENTS & ASSOC. LTD., 3rd Flr., 545 Clyde Ave. D. LAKUSTA, C.L.U., 1520-777 Hornby St. C. P. LUCENTE, JR., 870-1090 W. Georgia St. P. B. INSURANCE SERVICES LTD., 711-470 Granville St.	926-0621 689-8831 669-4741 684-0311	604 604 604 604
PRINCE GEORGE	L. J. TOURNIER, C.L.U., 200-1527-3rd Ave.	562-8261	604
EDMONTON	DAY, ROSS & ASSOC. LTD., 800 Empire Bldg., 101 St. & Jasper Ave. W. E. SOUTHORN, C.L.U., 15th Flr., CN Towers, 104 Ave. & 100 St. W. B. TAINSH & ASSOC. LTD., 211 - 8204 - 104th St. M. WYNE, C.L.U., 2311 TD Tower, Edmonton Centre	429-1418 422-6125 433-5801 426-7955	403 403 403 403
RED DEER	P. J. DERKSEN, C.L.U., 2000 Central Block, 5000 Gaetz Ave.	347-1135	403
CALGARY	G. E. FLYNN, 1900-633-6th Ave. S.W. J. D. TAYLOR, 800 - 825 - 8th Ave. S.W.	261-7880 263-4070	403 403
LETHBRIDGE	J. H. PROVICK, 202 Woodward Tower	327-2985	403
SASKATOON	G. W. HALLSTROM, 870 Avord Tower, 606 Spadina Cres. E.	653-0602	306
REGINA	C. J. LIPTON, 1700 Avord Tower, Victoria Ave. & Hamilton St.	523-9631	306
BRANDON	4th Floor, Royal Bank Building, Box 727	727-0721	204
WINNIPEG	B. V. CORDES, 5th Flr., 305 Broadway L. H. FYKE, C.L.U., 7th Flr., 363 Broadway G. D. JAMIESON, C.L.U., 6th Flr., 338 Broadway B. J. THOMPSON, 333 Broadway (Group Sales & Service)	943-6565 947-6771 956-1153 942-0911	204 204 204 204
THUNDER BAY	A. D. WESTAWAY, C.L.U., 410 Chapple Bldg., Box 326	622-6444	807
WINDSOR	R. D. HEBERT, 1010 - 100 Ouellette Ave.	258-5433	519
LONDON	D. E. EASTMAN, 1104 - 275 Dundas St. STEVENSON & HUNT INS. AGENCIES LTD., 2nd Flr., 267 Dundas St.	672-6220 433-4083	519 519
KITCHENER	P. A. S. LYON, 1183 King St., E.	745-1131	519
HAMILTON	BRYAN & CO. INSURANCE AGENCY LTD., 36 James St. S. D. S. HILBORN, C.L.U., 2105 - 25 Main St. W. SKYWAY LIFE INSURANCE AGENCIES INC., 604 - 105 Main St. E.	523-4705 522-9274 525-7247	416 416 416
TORONTO	P. ANGELINI, C.L.U., 504 - 200 Consumers Road CLUTCHEY & CO. INSURANCE AGENCY LTD., 104 - 55 Doncaster Ave. M. J. DORAN, C.L.U., 404 - 40 St. Clair Ave. W. M. J. HOLLAND, 10 Brock St. E. C. MALHOWSKI, 2400 - 2 Bloor St. E. S. S. TAERK, C.L.U., 501-50 Gervais Drive (MRS.) S. GOOCH, 312 - 245 Fairview Mall Dr. (Group Sales & Service)	493-3744 881-6622 929-0421 852-3309 961-2330 449-7330 496-2469	416 416 416 416 416 416 416
OSHAWA	R. A. SLANEY, C.L.U., 10022-44 Bond St. W.	725-6588	416
OTTAWA	E. E. LAUGHREN, 1500-85 Albert St.	235-1431	613
MONTREAL	ABRAMS, PECK & ASSOC. LTD., 205-4480 Cote de Liesse Rd. G. RIVARD, 400 - 6767 Cote des Neiges Rd.	341-5770 731-8257	514 514



"Ermine and Feeding Sharptails"

CLARENCE TILLENIUS

For the past 24 years, The Monarch Life Assurance Company has enjoyed a close association with famed Manitoba-born wildlife artist Clarence Tillenius. During that time he has produced many paintings for the Company, including the renowned series "Monarchs of the Canadian Wilds" which has been displayed in galleries and exhibitions throughout North America. His most recent work, "Ermine and Feeding Sharptails", is part of a second series commissioned by the Company, entitled "Small Fur-Bearing Animals".

In each of Clarence Tillenius' works, his concern for Canada's wilderness areas and its inhabitants is obvious. Each is a visual statement urging us to preserve these wonders nature has given us. Monarch Life is pleased to assist Mr. Tillenius in his continuing efforts to keep us aware of this need to maintain our wildlife heritage.



THE MONARCH LIFE ASSURANCE COMPANY

333 BROADWAY, WINNIPEG, MANITOBA, CANADA